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NOTES AND MEMORANDA.

THE *Revue d'Économie Politique*, of which the first number appeared in Paris in February, is the result of the establishment in 1878 of chairs of political economy in the French faculties of law. A large number of the new professors, of various economic schools, but having strong professional sympathies and, no doubt, from training, some intellectual tendencies not altogether welcome among the veterans of the old society, have now established this review as an independent medium, the organ of no person or school, but to be open to all opinions, if treated in the scientific spirit and with comity towards others. To carry out this excellent programme, the *Revue* has a board of four professors as editors,—Messrs. Gide of Montpellier, Jourdan of Aix, Villey of Caen, and Duguit of Bordeaux,—and a formidable list of co-laborers, including the familiar names of Cossa, Fournier de Flaix, Laveleye, Jules Simon, and Walras. The first number contains a “Chronique” for 1870–87, which bears some traces of the fermentation which has thus given the *Journal des Économistes* a companion.

FROM the report presented January 19, 1887, by the Permanent Commission of the Italian government for the abolition of the forced currency, the following general statements are collected :—

At the date of resumption in 1883, the notes in circulation for which the government was responsible amounted to 940,000,000 francs. Of these, on the 30th of June, 1886, 476,000,000 had been redeemed, so that the amount outstanding was a trifle short of 464,000,000.

It is well known that provision was made for resumption by contracting a loan of 600,000,000, of which a large part was

received by the treasury in gold. The commission give the following comparative statements to show the extent to which the provision of cash has been used [here given in millions and tenths]:—

On hand.	April 10, 1883.			June 30, 1886.		
	Of the loan.	Of ordinary resources.	Total.	Of the loan.	Of ordinary resources.	Total.
Gold coin,	517.2	48.1	565.3	111.7	84.1	195.8
Silver coin,	7.5	11.5	19.	.0	6.4	6.4
Small coin,	75.3	61.4	136 6	9.4	2.8	12.2
Uncurrent and bullion, . .	.0	6.7	6.7	.0	76.7*	76.7
	600.	127.7	727.7	121.1	170.	291.1

The redemptions for the last year were 57,500,000.

The use of money and of paper in making payments of duties at the custom-houses has been as follows:—

	Gold.	Silver.	State notes.
1883, 8½ months,	7.8	12.	107.5
1884,	14.6	24.3	139.1
1885,	3.7	50.9	191.4
1886, 6 months,	1.2	8.8	65.9
	27.3	96.	503.9

During the same period, as might be expected, the imports and exports show an exchange of gold for silver by Italy on a moderate scale, silver showing a balance of imports of 69,600,000, and gold a balance of exports of 60,900,000.

A THIN quarto was issued last year, by the Register of the Treasury, entitled *A Statement of the Public Debt of the United States from 1789 to 1885, and Receipts and Expenditures from 1855 to 1885*. The receipts and expenditures are given by quarters, with the usual tabular classification; and the statement of debt is given by issues and redemptions, so as to show the balance outstanding of every description at the end of every year from 1789. Such a statement well made would be of great service; but a little examination will show

* Of this amount, 73.9 millions are silver.

that the Register's publication will have to be used with extreme caution. The statements of the debt do not agree with those in the Finance Reports, the balances in the Treasury show frequent and important variations, and seven pages are taken up with an explanation of discrepancies between the finance reports and the receipts and expenditures as now stated. If figures from the new statement by General Rosecrans are used then, it is unsafe to bring them into line with figures from the Finance Reports, or the Statistical Abstract, or Elliott's report of 1845, or even the Register's report of 1885.

Probably most of the changes are the result of merely formal operations of accounting, and, if so, tend to confusion, with no real compensation in utility. But some discrepancies appear to be of a different sort,—as the statement of the navy pension fund in the debt outstanding at \$1,000,000 instead of the familiar \$14,000,000, the entry of 1881 sixes, sold at a discount in the latter part of 1861, by stating the amount received instead of the par amount of the bonds, and the extraordinary omission of the Revolutionary debt, funded by Hamilton in sixes and threes. This total omission of a debt which at its height exceeded \$60,000,000, and in the last year of its existence called for a final payment of over \$13,000,000, makes the long and elaborate calculation of outstanding debt on pages 55 to 70 worthless, and discredits the remainder of the statement, and indeed of the volume. The matter is not made clearer by a note on page 98 explaining “large discrepancies, year by year,” between the new statement and that in the Register's report for 1885.

MR. ATKINSON's pithy advice to the European nations, “Disarm or starve,” given in his striking articles in the *Century*, receives a timely illustration from the simultaneous publication, by M. Alfred Neymarck, on the public debts of Europe. A detailed review of the debts, one by one, shows an increase of about 40 milliards of francs since 1870, and a present nominal capital of 117 milliards in all, with interest and sinking

fund payments of 5,343 millions annually. M. Neymarck's conclusion is much like Mr. Atkinson's:—

The finances of Europe are so involved that there is reason to fear that the governments may ask whether war, with all its terrible chances, is not preferable to the maintenance of a precarious and costly peace. If the military preparations and armaments of Europe do not result in war, they may well end, as Lord Stanley said twenty years ago, in the bankruptcy of the States. Or if such follies lead neither to war nor to ruin, then they assuredly point to industrial and economic revolution.

MUEHLBRECHT's *Staats- und Rechtswissenschaftlichen Literatur* for 1886 gives a summary statement of the number of titles registered by the series, showing the remarkable activity of writers upon political science for twelve years past. The new publications registered are as follows:—

	1875-86.	1886.
German, including Austrian and Swiss,	21,404	1,687
French, " Belgian,	9,290	770
English, " American,	5,963	630
Italian,	3,570	467
Dutch,	2,234	247
Scandinavian,	1,622	161
Spanish,	864	89
	44,947	4,051

Periodicals are not included among the French, English, Italian, and Spanish titles. If they were, it is estimated that the French and English titles would be increased by 1,000 each, the Italian by 500, and the Spanish by 100. Of the twelve years, 1873 was least prolific, yielding 3,187 titles, and 1884 the most, yielding 4,394.

NOTE BY PROFESSOR MARSHALL.

To the Editor of the Quarterly Journal of Economics:

SIR,—In spite of my rule not to engage in controversy, I must ask your leave to state briefly that the courteous attack made by Professor Laughlin in your last number, on the Theory of Value and Distribution contained in the *Economics of Industry*, is founded on a misapprehension.

He supposes that the aim of that theory is to substitute

expenses of production for cost of production as a regulator of value. But that is not the case. Mill used the phrase, "cost of production," in two senses, to represent sometimes the efforts and sacrifices required for producing a commodity, sometimes the money measures of these sacrifices. In the former use, he showed how cost of production tends, under certain circumstances, to regulate value. But, when he says that cost of production tends to equal value, he must use the phrase in the latter sense; for an exchange value or a price cannot equal an effort, though it can equal the money measure of that effort. Finding that the double use of the phrase led to confusion, I proposed to use "expenses of production," in lieu of "cost of production," in the latter sense. (My reasons are given at some length in the *Fortnightly Review* for April, 1876, where I originally suggested the phrase.) In doing this, I did not think I was saying anything that was substantially new, but simply writing out more clearly what Mill had meant. Assuming competition to be free, I regard cost of production, in the first use of the term, as determining the (normal) expenses of production, and these as determining (normal) value absolutely in those cases in which the cost, and therefore the expenses, of production are independent of the amount produced. In those cases in which the cost, and therefore the expenses, of production are liable to vary with the amount produced, and therefore to depend, in some measure, indirectly on demand, I regard cost of production, through its influence on (normal) expenses of production, as acting, in conjunction with Demand, to determine the amount it is worth while to produce, and at the same time (normal) price.

Mr. Laughlin says that, in the *Economics of Industry*, "the subject of value is treated before that of distribution." If he will look again, he will find it is not so. The object with which the book was written was, as stated in the preface to the second edition, "to show that there is a unity underlying all the different parts of the theory of prices, wages, and profits. . . . This law of normal value has many varieties of detail, and takes many different forms. But, in every form, it

exhibits value as determined by certain relations of demand and supply, and cost of production as taking the chief place among the causes that determine supply." (See, also, Book II., Chaps. VI. and XIII.) It was essential to this purpose to put the general theory of normal supply and demand before that of distribution, but both are included under the one head of value. The discussion of value is opened before that of distribution, but finished after it. The argument, therefore, does not, as Mr. Laughlin thinks, imply the circular reasoning of determining wages by expenses of production and expenses of production by wages.

I cannot enter here into the discussion of the relation between different grades. I can only remark that I consider Cairnes's treatment of them to be neither as original nor as completely thought out as it appears to Mr. Laughlin. The question of compact industrial groups, of which the question of grades is a part, is itself but one side of a very large problem on which I have much to say, but for which there was no room in the *Economics of Industry*. (See, however, pp. 107, 108, 131, 132, and 206-13.)

No doubt there is much that is faulty in exposition in the *Economics of Industry*. I am at present engaged on a larger book, in which I am allowing myself more room, and hope I may make my meaning clearer. In conclusion, I will ask Mr. Laughlin to remember that the use of the phrase "expenses of production," in lieu of "cost of production," is to be regarded as offering, not a new theory, but merely a verbal amendment. The main object which my wife and I had in writing the *Economics of Industry* was, I repeat, to show that there is a unity underlying all the different parts of the theory of prices, wages, and profits. I am, sir,

Yours truly,

ALFRED MARSHALL.

CAMBRIDGE, ENGLAND, Feb. 25, 1887.

My debt to Mr. Marshall's book is such that I must regret any fault in the exposition as much as he, if by it I have been led into any misapprehensions. I still confess, however, to the

difficulties expressed in my discussion of his book (which I hope will not be taken as an "attack"). I do not yet understand how sacrifices determine the (normal) expenses of production (although they may be in proportion to them); and I must leave to the reader to decide whether the theory of normal value is not laid down in Book II., before one can know what regulates the rewards for the sacrifices (or expenses of production). But, sharing Mr. Marshall's dislike for controversy, I shall leave the subject here.

J. LAURENCE LAUGHLIN.

GENERAL OVERPRODUCTION.

No principle of political economy is more generally accepted by the recognized authorities than that of the impossibility of a general overproduction; in other words, the impossibility of an excess of production, not beyond the amount that would be required to meet the desires of mankind, if products were to be distributed gratuitously, but beyond the amount required to meet all demands that are backed by the ability and the willingness to pay for the things demanded. This doctrine—that it is impossible that production should, on the whole, exceed the demands of the market—was declared by John Stuart Mill to be "fundamental." "Any difference of opinion on it," he asserted, "involves radically different conceptions of political economy, especially in its practical aspect. On the one view, we have only to consider how a sufficient production may be combined with the best possible distribution; but, on the other, there is a third thing to be considered,—how a market can be created for produce, or how production can be limited to the capabilities of the market."

It has happened that, in recent years, this principle, so generally accepted by the learned, has apparently been as generally contradicted by the every-day experience of practical men. During the last twelve or fifteen years, business men have, almost without exception, complained that, so far at least as the particular business of each was concerned, there